



If the city again fails to respond to the DLG, then the DLG shall publish in a newspaper of general circulation servicing the residents of the city and on the DLG's web site a notice stating the following:

- The city has failed to comply and is subject to dissolution if the city fails to comply, or any citizen, resident, or creditor of the city fails to enter a defense by January 1, 2023.
- Creditors of the city are hereby notified that the city's debts shall be extinguished if they are not otherwise discoverable in the administrative hearing, or unless a successful defense is entered pursuant to the administrative hearing convened.
- Citizens, residents, or creditors of the city may enter a defense by written notice to DLG inclusive of a preliminary statement of their legal claim or why the city should not be administratively dissolved, or the entry of a claim by a creditor.

After January 1, 2023, the DLG shall have a preliminary hearing to determine whether or not the city shall be administratively dissolved. At this time, any entered defense shall be heard, and then the hearing officer shall make a determination whether the city shall be dissolved. If a defense is not entered, then the city shall be declared administratively dissolved.

No city shall be dissolved if:

- The city is maintaining a city government and levying / collecting taxes;
- The city provides all the information previously requested; or
- A successful defense is made to the petition.

The decision of the hearing officer may be appealed by the city, any citizen or resident, or any creditor.

If the city is administratively dissolved, the DLG shall notify the Secretary of State and the county clerk of each county where the city is located of the dissolution. The dissolution will be a permanent record in the county clerk's office.

Any debts shall be satisfied on a pro-rata basis with any remaining assets being transferred to the county or counties in which the city was located. If the creditors agree to this, or fail to appear after notification, then any remaining debts shall be extinguished. The county will not be liable for any remaining debts of the city after the assignment of any remaining assets.

Any dissolution of a city shall not impair the incorporation of a city at a future date that may include all or a portion of the former city's boundaries.

**The fiscal impact of SB 106 on local government is expected to be minimal.** The DLG was contacted regarding the impact SB 106 would have on local governments. Section I of SB 106 states that any city currently filing pursuant to KRS 83A.085 after January 1, 2022,

shall be deemed in compliance. This filing consists of a list of who the current officers are and their contact information and any functioning city should already be in compliance. However, a city not in compliance is provided multiple opportunities to become compliant.

There is a potential for litigation costs in the unlikely event that a city decides to contest any action. Also, if a city opts to dissolve, the city may want an attorney and/or accountant to draw up any documents required for transferring assets. The DLG estimates this cost to be \$0 to \$50,000, the higher figure allowing for the possibility of legal and accounting expenses. This amount is a relatively minor amount for most cities.

### **Part III: Differences to Local Government Mandate Statement from Prior Versions**

Part II refers to SB 106 as introduced. There are no prior versions of this bill.

**Data Source(s):** LRC Staff, Department of Local Government

**Preparer:** Wendell F. Butler (kls) **Reviewer:** KHC **Date:** 2/1/22